



MISSOURI
DEPARTMENT OF
NATURAL RESOURCES

Oil and Gas Fee Stakeholder Meeting

July 9, 2015

(with corrected projections for Scenario D)



MISSOURI
DEPARTMENT OF
NATURAL RESOURCES

Financial Overview

| Expenditure Scenario A - 3 FTE | <i>FY17 Proj (eff 1/2017)</i> | <i>FY18 Proj</i> | <i>FY19 Proj</i> | <i>FY20 Proj</i> | <i>FY21 Proj</i> |
|---|--|---|-------------------------|-------------------------|-------------------------|
| Salaries (PS) <i>3 Geologists</i> | \$ 83,124 | \$ 171,235 | \$ 176,373 | \$ 181,664 | \$ 187,114 |
| Fringe Benefits (<i>social security, health ins., retirement, etc.</i>) | \$ 39,816 | \$ 82,022 | \$ 84,482 | \$ 87,017 | \$ 89,627 |
| Operating E&E (<i>travel, supplies, training, etc.</i>) | \$ 33,333 | \$ 18,386 | \$ 18,937 | \$ 19,505 | \$ 20,090 |
| Contractual Engineering | \$ 6,000 | \$ 12,360 | \$ 12,731 | \$ 13,113 | \$ 13,506 |
| *Statewide Central Services, DNR Administration, OA ITSD, Leases/Rents | \$ 39,928 | \$ 69,405 | \$ 71,487 | \$ 73,631 | \$ 75,840 |
| Total | \$ 202,201 | \$ 353,408 | \$ 364,010 | \$ 374,930 | \$ 386,177 |
| | | Average Need (FY18-FY21) \$369,631 | | | |

Projection Assumptions:

- FY17 reflected as one-half year due to earliest potential effective date of fees; actual timing of first expenditures will be determined by revenue receipts/fund balance
- FY17 includes one-time E&E needs; reduced in FY18
- 3% pay plan/inflation beginning FY18
- Average need calculated using 4 years since FY17 is only a partial year
- Fringe benefits estimated using DNR rate of 47.9% (less than the statewide average rate)
- *Indirect costs estimated using approved federal indirect cost rate of 25.55%

| Expenditure Scenario B - 2 FTE | <i>FY17 Proj (eff 1/2017)</i> | <i>FY18 Proj</i> | <i>FY19 Proj</i> | <i>FY20 Proj</i> | <i>FY21 Proj</i> |
|---|--|---|-------------------------|-------------------------|-------------------------|
| Salaries (PS) <i>2 Geologists</i> | \$ 55,416 | \$ 114,157 | \$ 117,582 | \$ 121,109 | \$ 124,742 |
| Fringe Benefits (<i>social security, health ins., retirement, etc.</i>) | \$ 26,544 | \$ 54,681 | \$ 56,322 | \$ 58,011 | \$ 59,752 |
| Operating E&E (<i>travel, supplies, training, etc.</i>) | \$ 22,222 | \$ 12,257 | \$ 12,625 | \$ 13,003 | \$ 13,394 |
| Contractual Engineering | \$ 6,000 | \$ 12,360 | \$ 12,731 | \$ 13,113 | \$ 13,506 |
| *Statewide Central Services, DNR Administration, OA ITSD, Leases/Rents | \$ 26,619 | \$ 46,270 | \$ 47,658 | \$ 49,088 | \$ 50,560 |
| Total | \$ 136,801 | \$ 239,725 | \$ 246,918 | \$ 254,324 | \$ 261,954 |
| | | Average Need (FY18-FY21) \$250,730 | | | |

Projection Assumptions:

- FY17 reflected as one-half year due to earliest potential effective date of fees; actual timing of first expenditures will be determined by revenue receipts/fund balance
- FY17 includes one-time E&E needs; reduced in FY18
- 3% pay plan/inflation beginning FY18
- Average need calculated using 4 years since FY17 is only a partial year
- Fringe benefits estimated using DNR rate of 47.9% (less than the statewide average rate)
- *Indirect costs estimated using approved federal indirect cost rate of 25.55%

| Expenditure Scenario C - 1 FTE | <i>FY17 Proj (eff 1/2017)</i> | <i>FY18 Proj</i> | <i>FY19 Proj</i> | <i>FY20 Proj</i> | <i>FY21 Proj</i> |
|---|--|---|-------------------------|-------------------------|-------------------------|
| Salaries (PS) <i>1 Geologist</i> | \$ 27,708 | \$ 57,078 | \$ 58,791 | \$ 60,555 | \$ 62,371 |
| Fringe Benefits (<i>social security, health ins., retirement, etc.</i>) | \$ 13,272 | \$ 27,341 | \$ 28,161 | \$ 29,006 | \$ 29,876 |
| Operating E&E (<i>travel, supplies, training, etc.</i>) | \$ 11,111 | \$ 6,129 | \$ 6,312 | \$ 6,502 | \$ 6,697 |
| Contractual Engineering | \$ 6,000 | \$ 12,360 | \$ 12,731 | \$ 13,113 | \$ 13,506 |
| *Statewide Central Services, DNR Administration, OA ITSD, Leases/Rents | \$ 13,309 | \$ 23,135 | \$ 23,829 | \$ 24,544 | \$ 25,280 |
| Total | \$ 71,400 | \$ 126,043 | \$ 129,824 | \$ 133,720 | \$ 137,730 |
| | | Average Need (FY18-FY21) \$131,829 | | | |

Projection Assumptions:

- FY17 reflected as one-half year due to earliest potential effective date of fees; actual timing of first expenditures will be determined by revenue receipts/fund balance
- FY17 includes one-time E&E needs; reduced in FY18
- 3% pay plan/inflation beginning FY18
- Average need calculated using 4 years since FY17 is only a partial year
- Fringe benefits estimated using DNR rate of 47.9% (less than the statewide average rate)
- *Indirect costs estimated using approved federal indirect cost rate of 25.55%

| Expenditure Scenario D - 1.5 FTE (corrected) | <i>FY17 Proj (eff 1/2017)</i> | <i>FY18 Proj</i> | <i>FY19 Proj</i> | <i>FY20 Proj</i> | <i>FY21 Proj</i> |
|---|--|--|-------------------------|-------------------------|-------------------------|
| Salaries (PS) <i>1 Geologist, 0.50 Sr Office Support Assistant</i> | \$ 34,935 | \$ 71,966 | \$ 74,125 | \$ 76,349 | \$ 78,639 |
| Fringe Benefits (<i>social security, health ins., retirement, etc.</i>) | \$ 16,734 | \$ 34,472 | \$ 35,506 | \$ 36,571 | \$ 37,668 |
| Operating E&E (<i>travel, supplies, training, etc.</i>) | \$ 20,735 | \$ 9,193 | \$ 9,469 | \$ 9,753 | \$ 10,045 |
| Contractual Engineering | \$ - | \$ - | \$ - | \$ - | \$ - |
| *Statewide Central Services, DNR Administration, OA ITSD, Leases/Rents | \$ 18,499 | \$ 29,544 | \$ 30,430 | \$ 31,343 | \$ 32,283 |
| Total | \$ 90,903 | \$ 145,175 | \$ 149,530 | \$ 154,016 | \$ 158,635 |
| | | Average Need (FY18-FY21) \$ 151,839 | | | |

Projection Assumptions:

- FY17 reflected as one-half year due to earliest potential effective date of fees; actual timing of first expenditures will be determined by revenue receipts/fund balance
- FY17 includes one-time E&E needs; reduced in FY18
- 3% pay plan/inflation beginning FY18
- Average need calculated using 4 years since FY17 is only a partial year
- Fringe benefits estimated using DNR rate of 47.9% (less than the statewide average rate)
- *Indirect costs estimated using approved federal indirect cost rate of 25.55%

Summary of Expenditure Scenarios

| Scenario | Staffing Level | Average Annual Need (FY18-21) |
|-------------|--|-------------------------------|
| Scenario A | 3 Geologists + Contract Engineering | \$369,631 |
| Scenario B | 2 Geologists + Contract Engineering | \$250,730 |
| Scenario C | 1 Geologist + Contract Engineering | \$131,829 |
| Scenario D* | 1 Geologist + 0.5 Sr. Office Support Asst. | \$151,839 |

* corrected



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Personnel Duties Overview

Scenario A *(3 Geologists + Contract Engineering)*

- **Geologist III (Permitting/Compliance)**
 - Oversee oil and gas permitting
 - Provide compliance assistance
 - Maintain and account for:
 - Operator registration
 - Well bonding
 - Well status and shut-in wells
 - Mechanical integrity testing
 - Production
 - Resource valuation
 - Recordkeeping
 - General information requests
 - Oversee MITs
 - Conduct field inspections
 - Ensure compliance with regulations
 - Evaluate abandoned sites/wells and environmental impacts

Scenario A *(cont'd)*

- **Geologist III (Injection/EOR/Reservoir Analysis)**
 - Oversee and review oil and gas production projects
 - Evaluate enhanced oil recovery projects and technologies
 - Determine appropriate injection pressures and rates
 - Maintain and account for:
 - Injection pressure determination testing
 - Well stimulation treatment projects
 - Conduct field inspections
 - Conduct reservoir analyses
 - Contract and oversee reservoir engineering services
 - Ensure compliance with regulations

Scenario A *(cont'd)*

- **Geologist III (Energy Resource Assessment)**
 - Conduct geologic assessments to evaluate and promote potential energy resources in the state
 - Identify the location, quantity and quality of energy resources related to geothermal, coal, coalbed methane, oil, heavy oil, oil shale, and alternative energy resources
 - Research, evaluate, and promote emerging energy technology
 - Generate maps or other publications to assist public and industry in safely developing energy resources in Missouri
- **Contract Engineering Services**
 - Provide reservoir engineering consultation and expertise as relates to enhanced oil recovery, reservoir analysis, and emerging production technologies

Scenario A Summary (\$369,631)

| Geologist III (Permitting/Compliance) | Geologist III (Injection/ EOR/Reservoir Analysis) | Geologist III (Energy Resource Assessment) |
|--|---|--|
| <ul style="list-style-type: none"> Oversee oil and gas permitting Provide compliance assistance Maintain and account for: <ul style="list-style-type: none"> Operator registration Well bonding Well status and shut-in wells Mechanical integrity testing Production Resource valuation Recordkeeping General information requests Oversee MITs Conduct field inspections Ensure compliance with regulations Evaluate abandoned sites/wells and environmental impacts | <ul style="list-style-type: none"> Oversee and review oil and gas production projects Evaluate enhanced oil recovery projects and technologies Determine appropriate injection pressures and rates Maintain and account for: <ul style="list-style-type: none"> Injection pressure determination testing Well stimulation treatment projects Conduct field inspections Conduct reservoir analyses Contract and oversee reservoir engineering services Ensure compliance with regulations | <ul style="list-style-type: none"> Conduct geologic assessments to evaluate and promote potential energy resources in the state Identify the location, quantity and quality of energy resources related to geothermal, coal, coalbed methane, oil, heavy oil, oil shale, and alternative energy resources Research, evaluate, and promote emerging energy technology Generate maps or other publications to assist public and industry in safely developing energy resources in Missouri |

Contract Engineering Services: Provide reservoir engineering consultation and expertise as relates to enhanced oil recovery, reservoir analysis, and emerging production technologies

Scenario B *(2 Geologists + Contract Engineering)*

- **Geologist III** (Permitting/Compliance)
 - Oversee oil and gas permitting
 - Provide compliance assistance
 - Maintain and account for:
 - Operator registration
 - Well bonding
 - Well status and shut-in wells
 - Mechanical integrity testing
 - Production
 - Resource valuation
 - Recordkeeping
 - General information requests
 - Oversee MITs
 - Conduct field inspections
 - Ensure compliance with regulations
 - Evaluate abandoned sites/wells and environmental impacts

Scenario B *(cont'd)*

- **Geologist III (Injection/EOR/Reservoir Analysis)**
 - Oversee and review oil and gas production projects
 - Evaluate enhanced oil recovery projects and technologies
 - Determine appropriate injection pressures and rates
 - Maintain and account for:
 - Injection pressure determination testing
 - Well stimulation treatment projects
 - Conduct field inspections
 - Conduct reservoir analyses
 - Contract and oversee reservoir engineering services
 - Ensure compliance with regulations

Scenario B *(cont'd)*

- **Contract Engineering Services**
 - Provide reservoir engineering consultation and expertise as relates to enhanced oil recovery, reservoir analysis, and emerging production technologies

Scenario B Summary (\$250,730)

| Geologist III (Permitting/Compliance) | Geologist III (Injection/EOR/ Reservoir Analysis) |
|--|---|
| <ul style="list-style-type: none"> • Oversee oil and gas permitting • Provide compliance assistance • Maintain and account for: <ul style="list-style-type: none"> • Operator registration • Well bonding • Well status and shut-in wells • Mechanical integrity testing • Production • Resource valuation • Recordkeeping • General information requests • Oversee MITs • Conduct field inspections • Ensure compliance with regulations • Evaluate abandoned sites/wells and environmental impacts | <ul style="list-style-type: none"> • Oversee and review oil and gas production projects • Evaluate enhanced oil recovery projects and technologies • Determine appropriate injection pressures and rates • Maintain and account for: <ul style="list-style-type: none"> • Injection pressure determination testing • Well stimulation treatment projects • Conduct field inspections • Conduct reservoir analyses • Contract and oversee reservoir engineering services • Ensure compliance with regulations |

Contract Engineering Services: Provide reservoir engineering consultation and expertise as relates to enhanced oil recovery, reservoir analysis, and emerging production technologies

Scenario C *(1 Geologist + Contract Engineering)*

- **Geologist III (Injection/EOR/Compliance)**
 - Provide compliance assistance
 - Maintain and account for:
 - Operator registration
 - Mechanical integrity testing
 - Injection pressure determination testing
 - Well stimulation treatment projects
 - Recordkeeping
 - Determine appropriate injection pressures and rates
 - Oversee MITs
 - Conduct field inspections
 - Contract and oversee reservoir engineering services
 - Ensure compliance with regulations

Scenario C *(cont'd)*

- **Contract Engineering Services**
 - Provide reservoir engineering consultation and expertise as relates to enhanced oil recovery, reservoir analysis, and emerging production technologies

Scenario C Summary (\$131,829)

| Geologist III (Injection/EOR/Compliance) | Duties not performed |
|--|---|
| <ul style="list-style-type: none"> • Provide compliance assistance • Maintain and account for: <ul style="list-style-type: none"> • Operator registration • Mechanical integrity testing • Injection pressure determination testing • Well stimulation treatment projects • Recordkeeping • Determine appropriate injection pressures and rates • Oversee MITs • Conduct field inspections • Contract and oversee reservoir engineering services • Ensure compliance with regulations | <ul style="list-style-type: none"> • Assist with oil and gas permitting • Oversee and review oil and gas production projects • Evaluate enhanced oil recovery projects and technologies • Conduct reservoir analyses • Generate maps or other publications to assist public and industry in safely developing energy resources in Missouri • Evaluate abandoned sites/wells and environmental impacts |

Contract Engineering Services: Provide reservoir engineering consultation and expertise as relates to enhanced oil recovery, reservoir analysis, and emerging production technologies

Scenario D *(1 Geologist + 0.5 Sr. Office Support Asst.)*

- **Geologist III (Injection/EOR/Compliance)**
 - Assist with oil and gas permitting
 - Provide compliance assistance
 - Maintain and account for:
 - Mechanical integrity testing
 - Injection pressure determination testing
 - Well stimulation treatment projects
 - Oversee and review oil and gas production projects
 - Evaluate enhanced oil recovery projects and technologies
 - Determine appropriate injection pressures and rates
 - Oversee MITs
 - Conduct field inspections
 - Ensure compliance with regulations

Scenario D *(cont'd)*

- **Senior Office Support Assistant**
 - Input data
 - Maintain and account for:
 - Operator registration
 - Well bonding
 - Well status and shut-in wells
 - Production
 - Resource valuation
 - Recordkeeping
 - General information requests
 - Create and edit forms
 - Provide administrative support
 - Generate letters (notifications/reminders)
 - Generate reports
 - Perform financial tracking

Scenario D Summary (\$151,839 *corrected*)

| Geologist III (Injection/EOR/Compliance) | Senior Office Support Assistant |
|---|---|
| <ul style="list-style-type: none"> • Assist with oil and gas permitting • Provide compliance assistance • Maintain and account for: <ul style="list-style-type: none"> • Mechanical integrity testing • Injection pressure determination testing • Well stimulation treatment projects • Oversee and review oil and gas production projects • Evaluate enhanced oil recovery projects and technologies • Determine appropriate injection pressures and rates • Oversee MITs • Conduct field inspections • Ensure compliance with regulations | <ul style="list-style-type: none"> • Input data • Maintain and account for: <ul style="list-style-type: none"> • Operator registration • Well bonding • Well status and shut-in wells • Production • Resource valuation • Recordkeeping • General information requests • Create and edit forms • Provide administrative support • Generate letters (notifications/reminders) • Generate reports • Perform financial tracking |



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Potential Fee Types

Potential Fee Types

- Operator registration and renewal
- Permit to drill, deepen, plug-back, or recomplete
- Permit to inject
- Well plugging
- Open wells (annual)
- Severance (annual)
- Conservation/production (annual)
- *Late fees (**cannot include in projected revenue*)
- Other?



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Questions/Discussion